

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTHEAST DAVIESS)	
COUNTY WATER DISTRICT FOR APPROVAL OF)	CASE NO.
LATE SURCHARGE FOR EXPANSION OF EXISTING)	96-119
SYSTEM FACILITIES PURSUANT TO KRS 74.395)	

O R D E R

On March 27, 1996, Southeast Daviess County Water District ("Southeast Daviess") applied for approval of a rate surcharge pursuant to KRS 74.395. Southeast Daviess proposes to use the surcharge proceeds to fund the construction of a pumping station and 10,500 linear feet of water lines and appurtenances. Southeast Daviess' board of commissioners approved the proposed construction and surcharge at a special meeting held on February 12, 1996.

The estimated construction cost is \$352,790 with interest and closing costs of \$33,794 for a total of \$386,584. Southeast Daviess has requested a surcharge of 30 cents per 1,000 gallons for retail customers and 23 cents per 1,000 gallons for wholesale customers for a period not to exceed 37 months. Based on its calculations, Southeast Daviess estimates that the surcharge will generate \$386,584.

By Order dated September 12, 1996, the Commission directed Southeast Daviess to publish notice of a public hearing to be held in Frankfort on October 4, 1996 to examine Southeast Daviess' requested surcharge. As no notices of intent to attend the

hearing were received by the Commission by the date prescribed in the notice, the public hearing was canceled.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Southeast Daviess' proposed surcharge is for a lawful object within its corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should be approved.

2. The surcharge set out in Appendix A, attached hereto and incorporated herein, is reasonable and adequate to implement the proposed construction.

IT IS THEREFORE ORDERED that:

1. The surcharge set out in Appendix A is approved for service rendered by Southeast Daviess on and after the date of this Order, for a period not to exceed 37 months. If the total of surcharge proceeds and any interest earned on moneys collected thereon reaches \$386,584 before the 37-month period ends, Southeast Daviess shall immediately cease assessing the surcharge.

2. All funds generated by the surcharge shall be set aside in a reserve trust account. Such funds shall be invested in securities issued or guaranteed by the United States government until they are needed, and shall be expended, together with any interest or other earnings thereon, solely for the construction of the facilities described in Southeast Daviess' application. Use of surcharge funds for purposes other than construction of the facilities described in the application shall be cause for termination of the surcharge and refunding of the monies previously collected through it.

3. Southeast Daviess shall file annual statements detailing surcharge revenues collected, including any interest earned thereon, and all expenditures made. These reports shall be filed simultaneously with Southeast Daviess' annual reports on a report form to be supplied by the Commission. Failure to file the annual reports shall warrant cessation of the surcharge and refunding of the monies previously collected. If construction has not begun within five years after the implementation of the surcharge, all funds shall be returned to the Southeast Daviess customers paying the surcharge, together with interest and earnings.

4. Southeast Daviess shall maintain records necessary to enable it, the Commission, or its customers to determine the amount to be refunded and to whom refunds are due in the event a refund is ordered.

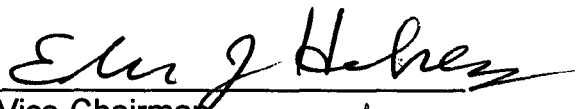
5. The funds collected pursuant to the surcharge constitute contributions in aid of construction ("CIAC") and shall be accounted for in the manner prescribed in the Uniform System of Accounts for Class A and B Water Districts and Associations. The monthly billing shall be debited to customer accounts receivable and credited to the CIAC account. When the amount is collected, special funds shall be debited and customer accounts receivable credited.

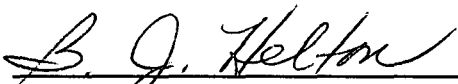
6. Within 30 days of the date of this Order, Southeast Daviess shall file with the Commission its revised tariff setting out the surcharge approved herein.

Done at Frankfort, Kentucky, this 6th day of November, 1996.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-119 DATED NOVEMBER 6, 1996

The following rates and charges are prescribed for the customers in the area served by Southeast Daviess County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Surcharge Rate:

Retail Customers	\$ 0.30 per 1,000 gallons
Wholesale Customers	\$ 0.23 per 1,000 gallons

The surcharge shall be effective for a period of 37 months or until \$386,584 is collected.